

**ECONOMIC LOSS VALUATION FOR  
DOUGLAS AND CINDY HORN**

Statement of Disinterest

1. The estimates contained herein are based on techniques generally accepted by the economics profession for the valuation of economic loss.
2. The fees charged for my services are not contingent upon the final award or outcome of this case.

A handwritten signature in black ink, appearing to read 'Mark P. Zaporowski', is written over a horizontal line.

Mark P. Zaporowski, Ph.D.  
Professor of  
Economics & Finance  
(716) 888-2679

August 23, 2017

## INTRODUCTION

This report projects economic losses for Douglas and Cindy Horn who suffered lost compensation as a result of deceptive business practices. Mr. and Mrs. Horn were employed as team over-the-road commercial truck drivers for the Enterprise Products Company in 2012 when they were terminated as a result of the deceptive business practices of the defendants. Subsequent to their termination, the Horn's suffered lost wages, fringe benefits and returns on premature distributions from their IRA and 401K accounts.

## ASSUMPTIONS

1. Had it not been for the deceptive business practices of the defendants, Mr. and Mrs. Horn would have remained employed as team over-the-road commercial truck drivers for the Enterprise Products Company.
2. Mr. and Mrs. Horn will remain employed as team over-the-road commercial truck drivers through Mr. Horn's statistical worklife expectancy. Mr. Horn's statistical worklife expectancy on September 1, 2017 was 11.63 years ["The Markov Process Model of Labor Force Activity: Extended Tables of Central Tendency, Shape, Percentile Points, and Bootstrap Standard Errors, G.R. Skoog, J.E. Ciecka and K.V. Krueger, *Journal of Forensic Economics*, 2011]. The Horn's exit the labor force 29 percent through the year 2029.
3. Had they remained employed at the Enterprise Products Company, Mr. and Mrs. Horn's wages over the period 2012-2015 would have amounted to \$113,140, \$143,200, \$146,350, and \$149,570, respectively. In 2016, the Horn's would have received a 6.25 percent premium above their actual 2016 wages. Subsequent to 2016, their wages would have grown by a 2.2 percent per year [www.bls.gov].
4. Over the period 2012-2016, Mr. and Mrs. Horn's actual wages amounted to \$88,249, \$33,356, \$63,164, \$129,254 and \$156,196, respectively. Subsequent to 2016, their actual wages will grow by 2.2 percent per year.
5. Subsequent to their termination from the Enterprise Products Company, the Horn's formed their own business titled Horn's Transport, LLC. They incurred losses from this business amounting to \$11,201 in 2013 and \$17,773 in 2014.
6. The Enterprise Products Company was providing the Horn's with family health insurance coverage valued at \$1,800 per month in 2012. The Horn's were contributing \$2,028 towards the cost of this coverage in 2012. Had they remained employed at the Enterprise Products Company, employer provided health benefits would have continued in the future. Subsequent to their termination from the Enterprise Products Company, the Horn's have not received employer provided health benefits and will not receive health benefits in the future. Lost health benefits begin in September 2017 and are valued at \$1,631 per month. The cost of health benefits grows by 5 percent per year subsequent to 2017.

7. The Enterprise Products Company was contributing 2 percent of the Horn's wages into their 401K plan. These benefits would have continued in the future. Since their termination, the Horn's have not received any employer provided 401K contributions and will not receive 401K contributions in the future.

8. The Horn's were forced to take a distribution from their IRA in 2013 amounting to \$74,136 to meet their expenses. They were forced to take a distribution from their 401K plan in 2014 amounting to \$83,203 to meet their expenses. The Horn's would not have taken these distributions had it not been for their termination. Over the period 2014-2016, lost returns on the IRA and 401K distributions are based on the returns from the Vanguard Target Retirement 2030 Fund. The annual rates of return on this fund were: 7.17%, -1.03%, and 7.85%, respectively [performance.morningstar.com]. Subsequent to 2016, the annual rate of return on these pre-mature distributions is assumed to be 2.41%. This is based on the yield on the zero coupon U.S. Treasury security maturing in February 2029 [online.wsj.com, August 22, 2017].

9. Nominal discount rates on zero coupon U.S. Treasury securities that match the maturity of the cash flows were used to reduce future lost compensation to present value [online.wsj.com, August 22, 2017]. A 2.41% discount rate was used to reduce future lost return on the premature IRA and 401K distributions to present value.

## **CONCLUSIONS**

Past lost compensation amounts to \$300,249.

The present value of future lost compensation amounts to \$458,836.

Past lost return on the premature IRA and 401K distributions amount to \$19,828.

The present value of future lost return on the premature IRA and 401K distributions amounts to \$57,630.

**The present value of total economic damages amounts to \$836,544.**

To project Mr. and Mrs. Horn's economic loss, I relied on the following information:

1. Mr. and Mrs. Horn's federal tax returns and W-2 statements 2009-2016.
2. Mr. and Mrs. Horn's social security earnings statements.
3. Mr. and Mrs. Horn's paystubs.
4. U.S. Department of Labor website, [www.bls.gov](http://www.bls.gov).
5. Wall Street Journal website, [online.wsj.com](http://online.wsj.com).
6. "The Markov Process Model of Labor Force Activity: Extended Tables of Central Tendency, Shape, Percentile Points, and Bootstrap Standard Errors, G.R. Skoog, J.E. Ciecka and K.V. Krueger, *Journal of Forensic Economics*, 2011.
7. *United States Life Tables. 2012*, U.S. Department of Health and Human Services, Centers for Disease Control and Prevention.
8. Morningstar website, [performance.morningstar.com](http://performance.morningstar.com).
9. Enterprise Retirement Plan, Retirement Savings Statement.

I bill at a rate of \$250 per hour for my services.

I reserve the right to revise this report should new information become available.

TABLE 1

## PRESENT VALUE OF LOST COMPENSATION FOR DOUGLAS AND CINDY HORN

YEAR	AGE	NO SEPARATION WAGES	SEPARATION WAGES	LOST WAGES	LOST HEALTH BENEFITS	LOST EMPLOYER PENSION CONTRIBUTIONS	LOST COMPENSATION	PRESENT VALUE
*2012	47	\$113,140	\$88,249	\$24,891		\$2,263	\$27,154	
2013	48	\$143,200	\$22,155	\$121,045		\$2,864	\$123,909	
2014	49	\$146,350	\$45,391	\$100,959		\$2,927	\$103,886	
2015	50	\$149,570	\$129,254	\$20,316		\$2,991	\$23,307	
2016	51	\$165,958	\$156,196	\$9,762		\$3,319	\$13,081	
**2017	52	\$113,073	\$106,422	\$6,651		\$2,261	\$8,913	
<b>TOTAL PAST</b>		<b>\$831,290</b>	<b>\$547,667</b>	<b>\$283,624</b>		<b>\$16,626</b>	<b>\$300,249</b>	
***2017	52	\$56,536	\$53,211	\$3,326	\$6,524	\$1,131	\$10,980	\$10,980
2018	53	\$173,341	\$163,144	\$10,197	\$20,551	\$3,467	\$34,214	\$33,870
2019	54	\$177,154	\$166,733	\$10,421	\$21,578	\$3,543	\$35,542	\$34,691
2020	55	\$181,052	\$170,402	\$10,650	\$22,657	\$3,621	\$36,928	\$35,502
2021	56	\$185,035	\$174,150	\$10,884	\$23,790	\$3,701	\$38,375	\$36,096
2022	57	\$189,106	\$177,982	\$11,124	\$24,979	\$3,782	\$39,885	\$36,608
2023	58	\$193,266	\$181,897	\$11,369	\$26,228	\$3,865	\$41,462	\$37,002
2024	59	\$197,518	\$185,899	\$11,619	\$27,540	\$3,950	\$43,109	\$37,452
2025	60	\$201,863	\$189,989	\$11,874	\$28,917	\$4,037	\$44,828	\$37,919
2026	61	\$206,304	\$194,169	\$12,136	\$30,363	\$4,126	\$46,624	\$38,272
2027	62	\$210,843	\$198,440	\$12,403	\$31,881	\$4,217	\$48,500	\$38,671
2028	63	\$215,481	\$202,806	\$12,675	\$33,475	\$4,310	\$50,460	\$39,109
****2029	64	\$63,864	\$18,521	\$45,344	\$10,193	\$1,277	\$56,814	\$42,664
<b>TOTAL FUTURE</b>		<b>\$2,251,362</b>	<b>\$2,077,342</b>	<b>\$174,020</b>	<b>\$308,675</b>	<b>\$45,027</b>	<b>\$527,722</b>	<b>\$458,836</b>
<b>TOTAL PAST &amp; FUTURE</b>		<b>\$3,082,653</b>	<b>\$2,625,009</b>	<b>\$457,644</b>	<b>\$308,675</b>	<b>\$61,653</b>	<b>\$827,972</b>	<b>\$759,085</b>

\*Computed for 22% of the year.

\*\*Computed for 8 months.

\*\*\*Computed for 4 months.

\*\*\*\*Computed for 29% of the year.

TABLE 2

**PRESENT VALUE OF LOST RETURN ON PRE-MATURE DISTRIBUTIONS  
FROM IRA AND 401K ACCOUNTS**

<b>YEAR</b>	<b>AGE</b>	<b>LOST RETURN ON IRA</b>	<b>LOST RETURN ON 401K</b>	<b>TOTAL LOST RETURN</b>	<b>PRESENT VALUE</b>
*2012	47				
2013	48				
2014	49	\$5,316		\$5,316	
2015	50	-\$818	-\$910	-\$1,728	
2016	51	\$6,173	\$7,092	\$13,265	
**2017	52	\$1,363	\$1,614	\$2,976	
<b>TOTAL PAST</b>		<b>\$12,032</b>	<b>\$7,796</b>	<b>\$19,828</b>	
***2017	52	\$692	\$846	\$1,539	\$1,539
2018	53	\$2,093	\$2,614	\$4,707	\$4,615
2019	54	\$2,144	\$2,704	\$4,848	\$4,641
2020	55	\$2,195	\$2,853	\$5,049	\$4,719
2021	56	\$2,248	\$3,007	\$5,256	\$4,797
2022	57	\$2,303	\$3,167	\$5,470	\$4,875
2023	58	\$2,358	\$3,333	\$5,691	\$4,953
2024	59	\$2,415	\$3,504	\$5,919	\$5,030
2025	60	\$2,473	\$3,682	\$6,155	\$5,107
2026	61	\$2,533	\$3,866	\$6,398	\$5,184
2027	62	\$2,594	\$4,056	\$6,650	\$5,261
2028	63	\$2,656	\$4,253	\$6,909	\$5,338
****2029	64	\$789	\$1,293	\$2,081	\$1,570
<b>TOTAL FUTURE</b>		<b>\$27,493</b>	<b>\$39,178</b>	<b>\$66,671</b>	<b>\$57,630</b>
<b>TOTAL PAST &amp; FUTURE</b>		<b>\$39,526</b>	<b>\$46,974</b>	<b>\$86,500</b>	<b>\$77,459</b>

\*\*Computed for 8 months.

\*\*\*Computed for 4 months.

\*\*\*\*Computed for 29% of the year.